

MESICK CONSOLIDATED SCHOOLS
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2007

Baird, Cotter and Bishop, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007

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MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

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August 16, 2007

INDEPENDENT AUDITORS' REPORT

Board of Education
Mesick Consolidated Schools
Mesick, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mesick Consolidated Schools, Mesick, Michigan as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mesick Consolidated School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Mesick Consolidated Schools, Mesick, Michigan, as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2007, on our consideration of Mesick Consolidated Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through x and 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mesick Consolidated Schools, Mesick, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

**Mesick Consolidated Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

Mesick Consolidated Schools, a K-12 school district located in Wexford and Manistee Counties, Michigan. The Management's Discussion and Analysis is intended to be the Mesick Consolidated Schools administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP), require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

A. Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

B. Government-Wide Financial Statements

The government-wide financial statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

**Mesick Consolidated Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

C. Summary of Net Assets

The following schedule summarizes the net assets at fiscal years ended June 30,

	2007 Fiscal Year	2006 Fiscal Year
Assets		
Current Assets	\$ 3,446,418	\$ 3,403,562
Non Current Assets		
Capital Assets	10,722,265	10,783,579
Less Accumulated Depreciation	(3,447,870)	(3,240,841)
Deferred Charges - Net of Accumulated Amortization	40,250	43,937
Total Non Current Assets	7,314,645	7,586,675
Total Assets	\$ 10,761,063	\$ 10,990,237
Liabilities		
Current Liabilities	\$ 1,248,688	\$ 1,149,350
Non Current Liabilities	5,353,755	5,747,924
Total Liabilities	6,602,443	6,897,274
Net Assets		
Invested in Capital Assets Net of Related Debt	1,754,645	1,631,675
Restricted for Debt Service	142,034	139,629
Unrestricted	2,261,941	2,321,659
Total Net Assets	4,158,620	4,092,963
Total Liabilities and Net Assets	\$ 10,761,063	\$ 10,990,237

D. Analysis of Financial Position

During the fiscal year ended June 30, 2007, the District's net assets increased by \$65,657. A few of the more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2007, \$306,533 was recorded for depreciation expense.

**Mesick Consolidated Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2007, \$38,190 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, disposals and the current year's depreciation is a decrease in capital assets in the amount of \$268,343 for the fiscal year ended June 30, 2007.

E. Results of Operations

For the fiscal years ended June 30, the results of operations, on a District-wide basis, were:

	2007		2006	
	Amount	% of Total	Amount	% of Total
General Revenues				
Property Taxes	\$ 1,610,913	19.0%	\$ 1,518,304	17.8%
Investment Earnings	88,514	1.0%	63,321	0.7%
State Sources	5,037,318	59.2%	5,114,779	59.8%
Other	221,177	2.6%	139,376	1.6%
Total General Revenues	6,957,922	81.8%	6,835,780	79.9%
Program Revenues				
Charges for Services	148,959	1.8%	113,103	1.3%
Operating Grants	1,398,568	16.4%	1,610,531	18.8%
Total Program Revenues	1,547,527	18.2%	1,723,634	20.1%
Total Revenues	8,505,449	100.0%	8,559,414	100.0%
Expenses				
Instruction	4,669,866	55.4%	4,494,557	55.2%
Supporting Services	2,678,861	31.8%	2,612,676	32.1%
Food Service	346,650	4.1%	317,770	3.9%
Athletic Activities	214,571	2.5%	158,763	2.0%
Community Services	0	0.0%	6,487	0.1%
Capital Outlay	28,832	0.3%	7,942	0.1%
Interest on Long-Term Debt	189,829	2.2%	210,440	2.6%
Other Transactions	963	0.0%	6,311	0.1%
Depreciation and Amortization	310,220	3.7%	318,265	3.9%
Total Expenses	8,439,792	100.0%	8,133,211	100.0%
Change in Net Assets	\$ <u>65,657</u>		\$ <u>426,203</u>	

**Mesick Consolidated Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

F. Analysis of Significant Revenues and Expenses

Significant revenues and expenses are discussed in the segments below:

1. Property Taxes

The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2006-2007 fiscal year, the District levied \$1,035,576 in non-homestead property taxes. The amount of unpaid general property taxes at June 30, 2007, was \$1,382.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-Homestead Tax Levy	(Decrease) from Prior Year
2006-2007	1,035,576	6.71%
2005-2006	970,471	7.92%
2004-2005	899,267	6.51%
2003-2004	844,338	8.16%
2002-2003	780,646	-0.13%

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of a three year average of 75% of the September 2006, 2005 and 2004 count and 25% of the February 2006, 2005 and 2004 count. For the 2006-2007 fiscal year, the District received a base foundation allowance of \$7,085 per student FTE. This amounted to a \$210 per student increase over the amount received for the 2005-2006 fiscal year.

**Mesick Consolidated Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past five fiscal years:

Fiscal Year	Blended Student FTE	FTE Change from Prior Year
2006-2007	859	(26)
2005-2006	885	(17)
2004-2005	902	(30)
2003-2004	932	(2)
2002-2003	934	1

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2007, federal, state, and other grants accounted for \$1,398,568. This represents a decrease over the total grant sources of \$1,610,531 received for the 2005-2006 fiscal year.

**Mesick Consolidated Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

5. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

Expenditures	2006-2007 Fiscal Year	2005-2006 Fiscal Year	Increase (Decrease)
Instruction	\$ 4,682,443	\$ 4,562,429	\$ 120,014
Supporting Services	2,673,092	2,681,268	(8,176)
Food Service Activities	346,650	327,405	19,245
Athletic Activities	214,571	158,763	55,808
Community Services	0	6,487	(6,487)
Capital Outlay	28,832	7,942	20,890
Debt Service	586,150	574,310	11,840
Other Transactions	2,921	5,101	(2,180)
Total Expenditures	\$ 8,534,659	\$ 8,323,705	\$ 210,954

A comparison of expenditures by fund is as follows:

Expenditures	2006-2007 Fiscal Year	2005-2006 Fiscal Year	Increase (Decrease)
General Fund	\$ 7,355,535	\$ 7,250,184	\$ 105,351
Food Service Fund	346,650	327,405	19,245
Athletic Activities Fund	214,571	158,763	55,808
Debt Service Funds	589,071	579,411	9,660
Capital Projects Fund	28,832	7,942	20,890
Total Expenditures	\$ 8,534,659	\$ 8,323,705	\$ 210,954

**Mesick Consolidated Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2006-2007 fiscal year, the District amended the general fund budget one time, with the Board adopting the change in May 2007. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget, and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 7,312,836	\$ 7,422,078	\$ 7,460,562
<u>EXPENDITURES</u>			
Instruction	\$ 4,575,951	\$ 4,786,322	\$ 4,682,443
Supporting Services	2,718,642	2,760,849	2,673,092
Transfers Out	185,000	231,200	223,935
Total Expenditures	\$ 7,479,593	\$ 7,778,371	\$ 7,579,470

The original revenue budget of \$7.312 million was increased to \$7.422 primarily as a result of changes in state and federal and other funding during the year.

The total revenues variance of \$38,484 is .52% of total budgeted revenues and the total expenditures variance of \$198,901 is 2.6% of the total General Fund expenditures for the year.

H. Capital Asset and Debt Administration

1. Capital Assets

By the end of the 2006-2007 fiscal year, the District had invested over \$10.722 million in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net decrease of approximately \$61,314 over the prior fiscal year. Depreciation expense for the year amounted to \$306,533, bringing the accumulation to \$3.448 million as of June 30, 2007.

**Mesick Consolidated Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

2. Long-Term Debt

At June 30, 2007, the District had \$5,560,000 in bonded debt outstanding. This represents a decrease of \$395,000 over the amount outstanding at the close of the prior fiscal year.

I. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2007-2008 and 2008-2009 fiscal years. The early indication is that the foundation allowance will increase slightly in 2007-2008. This will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. The number of retirees projected to occur over the next few years may also result in higher annual increases. On the positive side, the State has decreased the retirement rate for 2007-2008 to 16.72% from 17.74%. However, increases are projected in future years.
- The contracts with the Mesick Education Association, and the Michigan Education Association, the unions that represent the teaching staff expire at the end of the 2008-2009 school year. Issues relating to the contracts with the Mesick Educational Support Personnel Association for the support staff are negotiated on an annual basis.
- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Educational Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Left Behind Act, adequate yearly progress of students becomes very important. This increase in assessments of students will all need to be funded by the district.

J. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Business Manager, Mesick Consolidated Schools, 210 Mesick Avenue, Mesick, Michigan 49668.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2007

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 2,191,929
Taxes Receivable	22,071
Inventories	3,207
Due from Other Governmental Units	1,130,853
Prepaid Expenses	36,701
Investments	61,657
Total Current Assets	<u>3,446,418</u>

NON CURRENT ASSETS

Capital Assets	10,722,265
Less Accumulated Depreciation	(3,447,870)
Deferred Charges - Net of Accumulated Amortization	40,250
Total Non Current Assets	<u>7,314,645</u>
TOTAL ASSETS	<u><u>\$ 10,761,063</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 296,953
Accrued Interest Payable	30,625
Salaries Payable	435,846
Deferred Revenue	60,264
Current Portion of Non Current Liabilities	425,000
Total Current Liabilities	<u>1,248,688</u>

NON CURRENT LIABILITIES

Bonds Payable	5,560,000
Compensated Absences	218,755
Less Current Portion of Non Current Liabilities	(425,000)
Total Non Current Liabilities	<u>5,353,755</u>
Total Liabilities	<u>6,602,443</u>

NET ASSETS

Invested in Capital Assets Net of Related Debt	1,754,645
Restricted for Debt Service	142,034
Unrestricted	2,261,941
Total Net Assets	<u>4,158,620</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 10,761,063</u></u>

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR	OPERATING	ACTIVITIES
		SERVICES	GRANTS	NET (EXPENSE)
				REVENUE AND
				CHANGES IN
				NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Basic Programs	\$ 3,815,343	\$ 7,274	\$ 334,429	\$ (3,473,640)
Added Needs	849,077	0	806,016	(43,061)
Adult/Continuing Education	5,446	0	0	(5,446)
Supporting Services				
Pupil	180,110	0	0	(180,110)
Instructional Staff	201,256	0	0	(201,256)
General Administration	288,036	0	0	(288,036)
School Administration	431,174	0	0	(431,174)
Business	90,180	0	0	(90,180)
Operation and Maintenance	805,238	0	0	(805,238)
Pupil Transportation Services	414,429	0	0	(414,429)
Central Services	268,438	0	52,400	(216,038)
Food Service	346,650	109,721	205,723	(31,206)
Athletic Activities	214,571	31,964	0	(182,607)
Capital Outlay	28,832	0	0	(28,832)
Interest on Long Term Debt	189,829	0	0	(189,829)
Other Transactions	963	0	0	(963)
Unallocated Amortization	3,687	0	0	(3,687)
Unallocated Depreciation	306,533	0	0	(306,533)
Total Governmental Activities	\$ 8,439,792	\$ 148,959	\$ 1,398,568	(6,892,265)
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				1,035,576
Property Taxes - Debt Service				575,337
Investment Earnings				88,514
State Sources				5,037,318
Other				221,177
Total General Revenues				6,957,922
Change in Net Assets				65,657
NET ASSETS - Beginning of Year				4,092,963
NET ASSETS - End of Year				\$ 4,158,620

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2007

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$1,527,127	\$ 664,802	\$ 2,191,929
Taxes Receivable	14,026	8,045	22,071
Due from Other Funds	133,468	0	133,468
Inventories	0	3,207	3,207
Due from Other Governmental Units	1,130,853	0	1,130,853
Prepaid Expenses	36,701	0	36,701
Investments	61,657	0	61,657
TOTAL ASSETS	\$2,903,832	\$ 676,054	\$ 3,579,886
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 296,953	\$ 0	\$ 296,953
Salaries Payable	435,846	0	435,846
Due to Other Funds	0	133,468	133,468
Deferred Revenue	70,820	7,511	78,331
Total Liabilities	803,619	140,979	944,598
<u>FUND BALANCES</u>			
Reserved for Inventory	0	3,207	3,207
Reserved for Prepaid Expenses	36,701	0	36,701
Reserved for Debt Retirement	0	167,237	167,237
Designated for Compensated Absences	200,000	0	200,000
Unreserved, Undesignated Reported In:			
General Fund	1,863,512		1,863,512
Special Revenue Funds	0	17,656	17,656
Capital Projects Fund	0	346,975	346,975
Total Fund Balances	2,100,213	535,075	2,635,288
TOTAL LIABILITIES AND FUND BALANCES	\$2,903,832	\$ 676,054	\$ 3,579,886

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2007

Total Governmental Fund Balances	\$ 2,635,288
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are
not reported in the funds

The cost of the capital assets is	10,722,265	
Accumulated depreciation is	<u>(3,447,870)</u>	7,274,395

Long term liabilities are not due and payable in the current period and are not
reported in the funds

Bonds Payable	(5,560,000)
Compensated Absences	(218,755)

Accrued interest is not included as a liability in government funds, it is recorded when paid	(30,625)
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The issuance of Long-Term Debt provides current financial resources to
governmental funds, while the repayment of the principal of long-term debt
consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net assets. Also, governmental funds
report the effect of issuance costs, premiums, discounts and similar items when
debt is first issued, whereas these amounts are deferred and amortized in the
statement of activities over the life of the Long-Term bond issue.

Bond Issuance Costs, Premiums and Discounts	52,235	
Amortization of Bond Issuance Costs, Premiums and Discounts on Bonds	<u>(11,985)</u>	40,250

Balance of taxes receivable at June 30, 2007, expected to be collected after September 1, 2007	<u>18,067</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 4,158,620</u></u>
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The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 1,158,001	\$ 738,724	\$ 1,896,725
State Sources	5,586,057	16,675	5,602,732
Federal Sources	483,151	191,988	675,139
Other Transactions	182,853	0	182,853
Total Revenues	7,410,062	947,387	8,357,449
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	3,826,244	0	3,826,244
Added Needs	850,085	0	850,085
Adult/Continuing Education	6,114	0	6,114
Supporting Services			
Pupil	180,050	0	180,050
Instructional Staff	201,238	0	201,238
General Administration	286,330	0	286,330
School Administration	430,456	0	430,456
Business	86,742	0	86,742
Operation and Maintenance	804,541	0	804,541
Pupil Transportation Services	417,826	0	417,826
Central Services	265,909	0	265,909
Food Service	0	346,650	346,650
Athletic Activities	0	214,571	214,571
Capital Outlay	0	28,832	28,832
Debt Service			
Principal	0	395,000	395,000
Interest	0	191,150	191,150
Other Transactions	0	2,921	2,921
Total Expenditures	7,355,535	1,179,124	8,534,659
Excess (Deficiency) of Revenues Over (Under) Expenditures	54,527	(231,737)	(177,210)
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from the Sale of Capital Assets	500	0	500
Extraordinary Reimbursement	50,000	0	50,000
Transfers In	0	223,935	223,935
Transfers Out	(223,935)	0	(223,935)
Sale of Timber	0	97,500	97,500
Total Other Financing Sources (Uses)	(173,435)	321,435	148,000
Net Change in Fund Balance	(118,908)	89,698	(29,210)
FUND BALANCE - Beginning of Year	2,219,121	445,377	2,664,498
FUND BALANCE - End of Year	\$ 2,100,213	\$ 535,075	\$ 2,635,288

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

Net change in Fund Balances Total Governmental Funds	\$ (29,210)
--	-------------

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(306,533)
Capital Outlay	38,190

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	31,946
Accrued Interest Payable - End of Year	(30,625)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	395,000
--	---------

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred Revenue - Property Taxes - Beginning of Year	(16,660)
Deferred Revenue - Property Taxes - End of Year	18,067

The issuance of Long-Term Debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities over the life of the Long-Term bond issue.

Amortization of Bond Issuance Costs, Premiums and Discounts on Bonds	(3,687)
--	---------

Employees Early Retirement and Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	187,924
Compensated Absences - End of Year	(218,755)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 65,657</u>
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The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 103,522
	<hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Groups and Organizations	\$ 103,522
	<hr/>
<u>NET ASSETS</u>	0
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 103,522
	<hr/>

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Mesick Consolidated Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District is located in Wexford and Manistee Counties with its administrative offices located in Mesick, Michigan. The District operates under an elected 7-member board of education and provides services to its students in elementary, high school, special education and adult education instruction, guidance, health, transportation, food service, and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. The District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *GENERAL FUND* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Other Non-Major Funds

The *SPECIAL REVENUE FUNDS* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *DEBT SERVICE FUND* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *OIL, GAS AND LAND LEASE CAPITAL PROJECTS FUND* accounts for the acquisition of fixed assets or construction of major capital projects.

This capital projects fund does not include capital project activities funded with a bond issued after May 1, 1994. Therefore, this capital project is not required to comply with the applicable provisions of §1351a of the Revised School Code.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Fiduciary Funds

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *AGENCY FUND* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on a blended average of pupil membership counts taken in February and September of 2006, 2005 and 2004. For fiscal year ended June 30, 2007, the per pupil foundation allowance was \$7,085 for Mesick Consolidated Schools.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as accounts receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.
- (e) United States government or federal agency obligation repurchase agreements.
- (f) Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- (g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

- (h) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are deferred in the governmental fund financial statements as are not expected to be collected within 60 days of the end of the current fiscal period.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund – Non-homestead	18.00
Debt Service Fund – Homestead and non-homestead	4.20

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. In the General Fund, the School District considers all supplies to be consumed when acquired and any inventories on hand at year-end are considered to be immaterial. The food service inventory consists of food products held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Land improvements	20 years
Buildings and additions	20 - 50 years
Furniture and other equipment	5 - 20 years
Textbooks and library books	5 - 7 years
Transportation equipment	10 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000 for all capital assets.

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance and issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

8. Fund Equity

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The superintendent is charged with general supervision of the budgets and shall hold the budgets and shall hold the department heads responsible for performance of their responsibilities.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted or as amended by the School Board of Education during the year.

B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations occurred in the following funds:

Food Service Fund expenditures of \$346,650 exceeded appropriations of \$323,162 by \$23,488.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments – Credit Risk

The District's deposits and investments are all on deposit with banks located in the State of Michigan and the Michigan School District Liquid Asset Fund Plus.

Investment rate risk. The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

Foreign currency risk. The District is not authorized to invest in investments, which have this type of risk.

Credit risk. The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

Concentration of credit risk. The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2007, \$1,816,886 of the government's bank balance of \$2,401,161 was exposed to custodial credit risk because it was uninsured and uncollateralized.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:

Investment Trust Funds \$ 61,657

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2007, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 2,191,929	\$ 0	\$ 103,522	\$ 2,295,451
Investments	0	61,657	0	61,657
	<u>\$ 2,191,929</u>	<u>\$ 61,657</u>	<u>\$ 103,522</u>	<u>\$ 2,357,108</u>

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor And Other Funds	Total
Receivables			
Taxes	\$ 14,026	\$ 8,045	\$ 22,071
Other Governmental Units	1,130,853	0	1,130,853
Total Receivables	<u>\$ 1,144,879</u>	<u>\$ 8,045</u>	<u>\$ 1,152,924</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent Property Taxes Receivable-General Fund	\$ 12,645	\$ 0
Delinquent Property Taxes Receivable-Debt Service Funds	5,422	0
Grant Receipts Received, But Not Yet Utilized	0	60,264
Total Deferred/Unearned Revenue for Governmental Funds	\$ 18,067	\$ 60,264

C. Capital Assets

A summary of changes in the District's capital assets follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Assets not being depreciated				
Land	\$ 200,631	\$ 0	\$ 0	\$ 200,631
Other Capital assets:				
Land improvements	410,960	0	0	410,960
Buildings and additions	8,275,372	0	0	8,275,372
Machinery and equipment	574,633	0	0	574,633
Textbooks and library books	444,592	38,190	99,504	383,278
Transportation equipment	877,391	0	0	877,391
Subtotal	10,582,948	38,190	99,504	10,521,634
Accumulated Depreciation				
Other Capital assets:				
Land improvements	218,086	18,735	0	236,821
Buildings and additions	1,704,830	142,335	0	1,847,165
Machinery and equipment	465,952	17,283	0	483,235
Textbooks and Library	279,746	64,815	99,504	245,057
Transportation equipment	572,227	63,365	0	635,592
	3,240,841	306,533	99,504	3,447,870
Net other capital assets	7,342,107	(268,343)	0	7,073,764
Net capital assets	\$ 7,542,738	\$ (268,343)	\$ 0	\$ 7,274,395

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Depreciation for the fiscal year ended June 30, 2007 amounted to \$306,533. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2007:

	Compensated Absences	Bonds	Total
Balance July 1, 2006	\$ 187,924	5,955,000	6,142,924
Additions	30,831	0	30,831
Deletions	0	395,000	395,000
Balance June 30, 2007	218,755	5,560,000	5,778,755
Less current portion	0	425,000	425,000
Total due after one year	\$ 218,755	\$ 5,135,000	\$ 5,353,755

Long-term debt at June 30, 2007 is as follows:

2004 Refunding Bonds Due in Annual Installments of \$425,000 to \$550,000 Through May 1, 2018, Interest at 2.25% to 3.80%	\$ 5,560,000
Compensated Absences	218,755
Total Long-Term	\$ 5,778,755

The annual requirements to amortize debt outstanding as of June 30, 2007, including interest payments of \$1,217,800 are as follows:

Year ending June 30,	Principal	Interest	Amounts Payable
2008	\$ 425,000	\$ 183,250	\$ 608,250
2009	450,000	173,688	623,688
2010	465,000	161,312	626,312
2011	480,000	147,362	627,362
2012	495,000	132,962	627,962
2013-2017	2,695,000	398,326	3,093,326
2018	550,000	20,900	570,900
	5,560,000	1,217,800	6,777,800

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Compensated absences	218,755	0	218,755
	\$ 5,778,755	\$ 1,217,800	\$ 6,996,555

The annual requirements to amortize the accrued sick leave is uncertain because it is unknown when the employees will use the sick leave.

E. Short-Term Debt

The District incurred no short-term debt activity for the year.

F. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2007, were:

	Interfund Receivables	Interfund Payables
General Fund	\$ 133,468	\$ 0
School Service Fund - Food Service Fund	0	132,225
Capital Projects Fund - Oil, Gas and Land Lease Fund	0	1,018
Debt Retirement Fund	0	225
	\$ 133,468	\$ 133,468

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers are as shown in the individual fund financial statements at June 30, 2007, were:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 223,935
School Service Fund - Food Service Fund	40,800	0
School Service Fund - Athletic Activities	183,135	0
	\$ 223,935	\$ 223,935

Transfers are used to move unrestricted general fund revenues to finance various programs that the School must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

G. Designated and Reserved Fund Balance

The School has designated the General Fund balance as follows:

1. Compensated Absences

The contracts with teachers and non-teaching personnel have various provisions for the accumulation of compensated absences. Upon retirement or termination, if the employee has met certain contract provisions, the employee may receive a cash payment for the accumulated benefits. At June 30, 2007, the liability to the employees for accumulated sick leave and/or early retirement and related fringe benefits is estimated at \$218,755 as of June 30, 2007, the School has designated \$200,000 of its General Fund balance towards paying this future long-term obligation.

NOTE 4 – OTHER INFORMATION

A. Employee Retirement System

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2007, were 16.34% from July 1, 2006 to September 30, 2006 and 17.74% from October 1, 2006 to June 30, 2007.

The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2007, 2006 and 2005 were \$688,067, \$644,449 and \$609,292 respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

B. Single Audit Report

Current federal guidelines require entities with federal expenditures exceeding \$500,000 to have a "single audit" of federally funded programs. This audit is being performed and the reports based thereon will be issued under separate cover.

C. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2007 or any of the prior three years.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

D. Lease Information

The rental expense for the year ended June 30, 2007 was \$5,485.

The rental expense consists of lease agreements on copiers and a postage meter. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDING</u>	<u>AMOUNTS</u>
2008	\$ <u>4,397</u>

E. "Durant" Case Settlement

The school district accepted an offer made by the State of Michigan to all "non-plaintiff" school districts for settlement of the "Durant" case, which was a suit alleging underfunding by the State of Michigan for State mandated special education programs. Mesick Consolidated Schools will receive a total settlement from this case of \$88,208, and the State will pay it in the following manner:

- (a) 50% of the settlement (or \$44,104) will be paid to the District over a ten-year period beginning November 15, 1998. These funds are restricted and can be used only for school buses, electronic technology, instructional material and software, school security, textbooks, infrastructure or infrastructure improvement, training for technology, or to reduce or eliminate voter-approved debt that was issued prior to 11/19/97.
- (b) 50% of the settlement (or \$44,104) will be paid to the District over a fifteen-year period beginning May 15, 1999. These funds are also restricted and can be used only for the following items and in the order presented:
 - (i) reduce or eliminate voter-approved debt issued prior to 11/19/97.
 - (ii) reduce or eliminate other limited tax obligation debt.
 - (iii) deposit into a sinking fund.

The School District has approved using their settlement funds for technology and reduction of bonded indebtedness.

A reconciliation of "Durant" funds received, spent and to be received in the future is as follows:

	<u>Ten-Year Payoff</u>	<u>Fifteen-Year Payoff</u>	<u>Total</u>
Settlement	\$ 44,104	\$ 44,104	\$ 88,208
Received and Spent Prior Years	(35,280)	(23,520)	(58,800)
Received and Spent 06/07	(4,410)	(2,940)	(7,350)
Balance as of June 30, 2007	\$ <u>4,414</u>	\$ <u>17,644</u>	\$ <u>22,058</u>

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS BUDGETARY BASIS
<u>REVENUES</u>			
Local Sources	\$ 1,112,531	\$ 1,141,013	\$ 1,158,001
State Sources	5,592,947	5,593,123	5,586,057
Federal Sources	458,358	513,213	483,151
Other Transactions	149,000	124,229	182,853
Total Revenues	7,312,836	7,371,578	7,410,062
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	3,460,091	3,863,034	3,826,244
Added Needs	983,793	916,687	850,085
Adult/Continuing Education	132,067	6,601	6,114
Supporting Services			
Pupil	189,319	187,506	180,050
Instructional Staff	191,305	202,364	201,238
General Administration	291,736	290,657	286,330
School Administration	484,837	444,414	430,456
Business	87,970	94,102	86,742
Operation and Maintenance	813,165	833,259	804,541
Pupil Transportation Services	437,687	414,616	417,826
Central Services	222,623	293,931	265,909
Total Expenditures	7,294,593	7,547,171	7,355,535
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,243	(175,593)	54,527
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from the Sale of Capital Assets	0	500	500
Extraordinary Reimbursement	0	50,000	50,000
Transfers Out	(185,000)	(231,200)	(223,935)
Total Other Financing Sources (Uses)	(185,000)	(180,700)	(173,435)
Net Change in Fund Balance	(166,757)	(356,293)	(118,908)
FUND BALANCE - Beginning of Year	1,816,521	2,219,121	2,219,121
FUND BALANCE - End of Year	\$ 1,649,764	\$ 1,862,828	\$ 2,100,213

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2007

	SPECIAL REVENUE FUNDS	DEBT FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 151,970	\$ 164,839	\$ 347,993	\$ 664,802
Taxes Receivable	0	8,045	0	8,045
Inventory	3,207	0	0	3,207
<hr/>				
TOTAL ASSETS	\$ 155,177	\$ 172,884	\$ 347,993	\$ 676,054
<hr/>				
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 132,225	\$ 225	\$ 1,018	\$ 133,468
Deferred Revenue	2,089	5,422	0	7,511
<hr/>				
Total Liabilities	134,314	5,647	1,018	140,979
<hr/>				
<u>FUND BALANCE</u>				
Reserved for Inventory	3,207	0	0	3,207
Reserved for Debt Retirement	0	167,237	0	167,237
Unreserved, Undesignated	17,656	0	346,975	364,631
<hr/>				
Total Fund Balances	20,863	167,237	346,975	535,075
<hr/>				
TOTAL LIABILITIES AND FUND BALANCES	\$ 155,177	\$ 172,884	\$ 347,993	\$ 676,054
<hr/>				

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS	DEBT FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 142,087	\$ 585,257	\$ 11,380	\$ 738,724
State Sources	13,735	2,940	0	16,675
Federal Sources	191,988	0	0	191,988
Total Revenues	347,810	588,197	11,380	947,387
<u>EXPENDITURES</u>				
Food Service Activities	346,650	0	0	346,650
Athletic Activities	214,571	0	0	214,571
Capital Outlay	0	0	28,832	28,832
Debt Service				
Principal	0	395,000	0	395,000
Interest	0	191,150	0	191,150
Other Transactions	0	2,921	0	2,921
Total Expenditures	561,221	589,071	28,832	1,179,124
Excess (Deficiency) of Revenues Over (Under) Expenditures	(213,411)	(874)	(17,452)	(231,737)
<u>OTHER FINANCING SOURCES</u>				
Transfers In	223,935	0	0	223,935
Sale of Timber	0	0	97,500	97,500
Total Other Financing Sources (Uses)	223,935	0	97,500	321,435
Net Change in Fund Balance	10,524	(874)	80,048	89,698
FUND BALANCE - Beginning of Year	10,339	168,111	266,927	445,377
FUND BALANCE - End of Year	\$ 20,863	\$ 167,237	\$ 346,975	\$ 535,075

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2007</u>	<u>2006</u>
 <u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,527,127	\$ 1,612,887
Taxes Receivable	14,026	14,484
Due from Other Funds	133,468	24,113
Due from Other Governmental Units	1,130,853	1,242,999
Prepaid Expenses	36,701	0
Investments	61,657	58,641
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 2,903,832</u>	<u>\$ 2,953,124</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 296,953	\$ 259,075
Salaries Payable	435,846	371,024
Deferred Revenue	70,820	103,904
	<hr/>	<hr/>
Total Liabilities	803,619	734,003
 <u>FUND BALANCE</u>		
Reserved		
Prepaid Expenses	36,701	0
Unreserved		
Designated for:		
Compensated Absences	200,000	200,000
Undesignated	1,863,512	2,019,121
	<hr/>	<hr/>
Total Fund Balance	2,100,213	2,219,121
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,903,832</u>	<u>\$ 2,953,124</u>

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 1,141,013	\$ 1,158,001	\$ 1,055,265
State Sources	5,593,123	5,586,057	5,606,209
Federal Sources	513,213	483,151	555,049
Other Transactions	124,229	182,853	412,069
Total Revenues	7,371,578	7,410,062	7,628,592
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	3,863,034	3,826,244	3,504,113
Added Needs	916,687	850,085	940,291
Adult/Continuing Education	6,601	6,114	118,025
Supporting Services			
Pupil	187,506	180,050	170,793
Instructional Staff	202,364	201,238	248,624
General Administration	290,657	286,330	306,744
School Administration	444,414	430,456	503,674
Business	94,102	86,742	83,035
Operations and Maintenance	833,259	804,541	718,839
Pupil Transportation Services	414,616	417,826	450,874
Central Services	293,931	265,909	198,685
Community Services			
Custody and Care of Children	0	0	6,487
Total Expenditures	7,547,171	7,355,535	7,250,184
Excess of Revenues Over (Under) Expenditures	(175,593)	54,527	378,408
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from the Sale of Capital Assets	0	500	0
Extraordinary Reimbursement	50,000	50,000	0
Transfers In	0	0	57,760
Transfers Out	(231,200)	(223,935)	(178,486)
Total Other Financing Sources (Uses)	(181,200)	(173,435)	(120,726)
Net Change in Fund Balance	(356,793)	(118,908)	257,682
FUND BALANCE - Beginning of Year	2,219,121	2,219,121	1,961,439
FUND BALANCE - End of Year	\$ 1,862,328	\$ 2,100,213	\$ 2,219,121

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>LOCAL SOURCES</u>			
Property Taxes			
Current Levy	\$ 1,051,978	\$ 1,035,576	\$ 970,471
Penalties and Interest on Delinquent Taxes	0	270	397
Commercial Forest	310	309	202
Transportation	5,100	7,274	6,888
Earnings on Investments and Deposits	50,000	66,834	48,093
Other Local Revenues			
Rentals	15,700	18,863	8,757
Universal Service Fund Reimbursements	13,100	13,050	15,772
Miscellaneous	4,825	15,825	4,685
Total Local Sources	<u>1,141,013</u>	<u>1,158,001</u>	<u>1,055,265</u>
<u>STATE SOURCES</u>			
Grants-In-Aid Unrestricted			
State School Aid			
Foundation Allowance - Regular	5,194,951	5,006,201	5,102,475
Foundation Allowance- Special Education	0	155,573	151,323
Renaissance Zone	8,102	8,103	9,364
Equity Payment	0	20,074	0
Adult Education	0	0	6,537
Prior Years Adjustments	0	3,573	0
Grants-In-Aid Restricted			
State School Aid			
At Risk	223,960	216,277	226,500
Durant Non-Plaintiff Settlement	4,410	4,410	4,410
Middle School Math	0	10,162	0
Received Through Intermediate School District			
Early Childhood	161,700	161,684	105,600
Total State Sources	<u>5,593,123</u>	<u>5,586,057</u>	<u>5,606,209</u>

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>FEDERAL SOURCES</u>			
Grants-In-Aid Restricted			
Received Through the State			
Safe and Drug Free Schools	5,727	5,727	6,762
Title I	274,517	239,862	255,226
Title IIA - Improving Teacher Quality	63,177	63,177	65,109
Title IID - Technology Literacy Challenge	2,587	2,587	5,196
Title V - LEA Allocation	3,451	3,451	7,547
Reading First Grant	130,000	133,000	181,500
Service Provider Self Review	3,380	3,379	0
Elementary and Secondary Education Hurricane Relief for Displaced Students	0	758	2,050
Received Through Intermediate School District			
Medicaid Outreach	5,200	6,037	4,891
Payments in Lieu of Taxes			
National Forest	25,174	25,173	26,768
Total Federal Sources	513,213	483,151	555,049
<u>OTHER TRANSACTIONS</u>			
Transfers from Other School Districts			
Pre-K Transportation	5,990	5,990	14,402
Special Education - Added Cost	68,285	68,291	100,111
Special Education - Cost Reimbursement	200	88	228,340
Medicaid Caseload Coordination	25,725	31,246	14,881
Transition Mini Grant	0	1,386	21,944
Tech Ed Grant	0	52,400	0
Other	500	802	434
Refund of Prior Year Expense	23,529	22,650	31,957
Total Other Transactions	124,229	182,853	412,069
<u>OTHER FINANCING SOURCES</u>			
Proceeds From the Sale of Capital Assets	500	500	0
Extraordinary Reimbursement	50,000	50,000	0
Transfer In - Oil and Gas Capital Projects	0	0	57,760
Total Other Financing Sources	50,500	50,500	57,760
TOTAL REVENUES	\$ 7,422,078	\$ 7,460,562	\$ 7,686,352

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
<u>Instruction</u>			
<u>Basic Programs</u>			
<u>Elementary</u>			
Salaries	\$ 755,914	\$ 759,254	\$ 771,608
Employee Benefits	436,980	433,974	462,562
Purchased Services	1,200	1,039	271
Supplies and Materials	31,000	23,878	15,029
Capital Outlay	5,000	3,859	6,715
Other Expense	1,100	0	749
Total Elementary	1,231,194	1,222,004	1,256,934
 <u>Middle/Junior High</u>			
Salaries	716,879	717,023	688,922
Employee Benefits	415,359	407,769	356,213
Purchased Services	800	699	632
Supplies and Materials	32,800	33,823	16,876
Capital Outlay	6,000	5,276	22,716
Other Expense	800	475	1,401
Total Middle/Junior High	1,172,638	1,165,065	1,086,760
 <u>High School</u>			
Salaries	738,835	739,316	657,161
Employee Benefits	432,417	419,141	307,786
Purchased Services	51,650	51,106	20,768
Supplies and Materials	59,700	53,122	38,007
Capital Outlay	13,500	13,935	30,024
Other Expense	1,400	871	1,073
Total High School	1,297,502	1,277,491	1,054,819
 <u>Pre-School</u>			
Purchased Services	161,700	161,684	105,600

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
<u>Added Needs</u>			
<u>Special Education</u>			
Salaries	281,124	285,442	311,104
Employee Benefits	154,182	134,897	164,742
Purchased Services	10,250	9,668	3,894
Supplies and Materials	2,650	1,810	1,740
Capital Outlay	800	1,201	167
Other Expense	375	100	100
Total Special Education	449,381	433,118	481,747
<u>Compensatory Education</u>			
Salaries	182,453	161,234	179,320
Employee Benefits	100,500	112,676	112,557
Purchased Services	7,847	3,508	2,786
Supplies and Materials	28,592	1,927	3,393
Capital Outlay	140	769	2,708
Total Compensatory Education	319,532	280,114	300,764
<u>Compensatory Education - At Risk</u>			
Salaries	59,534	58,875	80,550
Employee Benefits	53,775	53,596	55,427
Purchased Services	17,634	17,604	12,963
Supplies and Materials	11,504	1,433	53
Total Compensatory Education-At Risk	142,447	131,508	148,993
<u>Drug Free Schools</u>			
Salaries	0	0	500
Employee Benefits	0	0	120
Purchased Services	3,695	3,723	7,076
Supplies and Materials	1,632	1,622	1,091
Total Drug Free Schools	5,327	5,345	8,787

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
<u>Adult/Continuing Education</u>			
<u>Secondary Adult Education</u>			
Salaries	5,184	4,863	5,184
Employee Benefits	1,317	1,251	1,421
Purchased Services	0	0	180
Supplies and Materials	100	0	0
Total Secondary Adult Education	6,601	6,114	6,785
<u>Secondary Vocational</u>			
Salaries	0	0	75,230
Employee Benefits	0	0	34,029
Supplies and Materials	0	0	1,981
Total Secondary Vocational	0	0	111,240
<u>Supporting Services</u>			
<u>Pupil</u>			
<u>Guidance Services</u>			
Salaries	38,593	39,038	36,101
Employee Benefits	25,751	26,164	24,120
Purchased Services	650	0	657
Supplies and Materials	850	802	376
Capital Outlay	200	0	0
Other Expenses	0	90	123
Total Guidance Services	66,044	66,094	61,377
<u>Health Services</u>			
Purchased Services	0	0	135
Supplies and Materials	100	0	0
Total Health Services	100	0	135

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
<u>Social Work Services</u>			
Salaries	92,091	94,861	88,245
Employee Benefits	23,381	14,163	16,284
Total Social Work Services	115,472	109,024	104,529
 <u>Other Pupil Support Services</u>			
Salaries	3,500	2,475	3,086
Employee Benefits	890	628	741
Supplies and Materials	1,500	1,829	925
Total Other Pupil Support Services	5,890	4,932	4,752
 <u>Instructional Staff</u>			
<u>Improvement of Instruction</u>			
Salaries	63,743	64,413	63,081
Employee Benefits	32,598	32,149	29,947
Purchased Services	20,850	12,267	7,434
Supplies and Materials	25,000	35,183	85,980
Other Expense	209	69	160
Total Improvement of Instruction	142,400	144,081	186,602
 <u>Educational Media Services</u>			
Salaries	23,956	23,301	24,934
Employee Benefits	25,424	25,055	29,729
Purchased Services	2,700	1,831	929
Supplies and Materials	4,575	4,086	4,135
Capital Outlay	400	0	0
Total Educational Media Services	57,055	54,273	59,727
 <u>Supervision and Direction of Instructional Staff</u>			
Salaries	2,400	2,400	2,000
Employee Benefits	509	484	295
Total Supervision and Direction of Instructional Staff	2,909	2,884	2,295

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
<u>General Administration</u>			
<u>Board of Education</u>			
Employee Benefits	75	67	339
Purchased Services	83,000	76,907	105,548
Supplies and Materials	10,000	9,870	8,668
Other Expense	3,700	4,080	4,732
Total Board of Education	96,775	90,924	119,287
 <u>Executive Administration</u>			
Salaries	140,181	139,899	128,674
Employee Benefits	48,001	51,308	56,964
Purchased Services	1,600	1,785	485
Supplies and Materials	1,000	783	352
Capital Outlay	1,900	592	0
Other Expense	1,200	1,039	982
Total Executive Administration	193,882	195,406	187,457
 <u>School Administration</u>			
<u>Office of the Principal</u>			
Salaries	233,118	230,806	283,925
Employee Benefits	119,191	113,816	135,117
Purchased Services	81,755	77,788	78,468
Supplies and Materials	7,700	6,278	3,571
Capital Outlay	1,500	878	994
Other Expenses	1,150	890	1,599
Total Office of the Principal	444,414	430,456	503,674
 <u>Business</u>			
<u>Fiscal Services</u>			
Salaries	42,096	42,095	38,357
Employee Benefits	22,787	22,166	19,700
Purchased Services	2,800	2,190	1,023
Supplies and Materials	6,000	4,422	5,057
Capital Outlay	1,000	892	170
Other Expense	350	124	130
Total Fiscal Services	75,033	71,889	64,437

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
<u>Other Business Services</u>			
Purchased Services	3,769	14,853	18,598
Other Expenses	15,300	0	0
Total Other Business Services	19,069	14,853	18,598
<u>Operations and Maintenance</u>			
Salaries	247,825	245,033	231,390
Employee Benefits	128,506	128,235	110,472
Purchased Services	400,028	377,874	337,084
Supplies and Materials	46,000	48,692	38,844
Capital Outlay	10,000	4,362	824
Other Expenses	900	345	225
Total Operations and Maintenance	833,259	804,541	718,839
<u>Pupil Transportation Services</u>			
Salaries	177,138	174,610	166,214
Employee Benefits	123,753	119,772	108,332
Purchased Services	97,425	113,371	117,683
Supplies and Materials	12,500	7,176	363
Capital Outlay	3,100	2,405	57,760
Other Expense	700	492	522
Total Pupil Transportation Services	414,616	417,826	450,874
<u>Central Services</u>			
<u>Planning, Research, Development and Evaluation</u>			
Salaries	3,380	0	0
<u>Staff Personnel Services</u>			
Purchased Services	300	585	0
Other Expense	8,600	8,997	0
Total Staff Personnel Services	8,900	9,582	0
<u>Support Services Technology</u>			
Salaries	87,782	86,435	81,735
Employee Benefits	51,519	52,547	47,838
Purchased Services	41,500	30,370	19,550
Supplies and Materials	31,000	32,267	8,697
Capital Outlay	69,600	54,708	40,837
Other Expense	250	0	28
Total Support Services Technology	281,651	256,327	198,685

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Community Services</u>			
<u>Custody and Care of Children</u>			
Employee Benefits	0	0	6,487
 Total Expenditures	 7,547,171	 7,355,535	 7,250,184
 <u>OTHER FINANCING USES</u>			
<u>Transfers Out</u>			
School Service Funds			
Food Service	41,200	40,800	44,000
Athletic Activities	190,000	183,135	134,486
Total Other Financing Uses	231,200	223,935	178,486
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 \$ 7,778,371	 \$ 7,579,470	 \$ 7,428,670

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR JUNE 30, 2006

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	TOTALS	
			2007	2006
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 148,246	\$ 3,724	\$ 151,970	\$ 31,863
Inventory	3,207	0	3,207	4,186
<hr/>				
TOTAL ASSETS	\$ 151,453	\$ 3,724	\$ 155,177	\$ 36,049
<hr/>				
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 132,225	\$ 0	\$ 132,225	\$ 24,113
Deferred Revenue	2,089	0	2,089	1,597
<hr/>				
Total Liabilities	134,314	0	134,314	25,710
<hr/>				
<u>FUND BALANCE</u>				
Reserved for Inventory	3,207	0	3,207	4,186
Unreserved, Undesignated	13,932	3,724	17,656	6,153
<hr/>				
Total Fund Balance	17,139	3,724	20,863	10,339
<hr/>				
TOTAL LIABILITIES AND FUND BALANCE	\$ 151,453	\$ 3,724	\$ 155,177	\$ 36,049
<hr/>				

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	TOTALS	
			2007	2006
<u>REVENUES</u>				
Local Sources	\$ 110,110	\$ 31,977	\$ 142,087	\$ 106,700
State Sources	13,735	0	13,735	11,747
Federal Sources	191,988	0	191,988	191,631
Total Revenues	315,833	31,977	347,810	310,078
<u>EXPENDITURES</u>				
Food Services	346,650	0	346,650	327,405
Athletic Activities	0	214,571	214,571	158,763
Total Expenditures	346,650	214,571	561,221	486,168
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,817)	(182,594)	(213,411)	(176,090)
<u>OTHER FINANCING SOURCES</u>				
Transfers In	40,800	183,135	223,935	178,486
Net Change in Fund Balance	9,983	541	10,524	2,396
FUND BALANCE - Beginning of Year	7,156	3,183	10,339	7,943
FUND BALANCE - End of Year	\$ 17,139	\$ 3,724	\$ 20,863	\$ 10,339

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 148,246	\$ 28,680
Inventory	3,207	4,186
	<hr/>	
TOTAL ASSETS	<u>\$ 151,453</u>	<u>\$ 32,866</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 132,225	\$ 24,113
Deferred Revenue	2,089	1,597
	<hr/>	
Total Liabilities	<u>134,314</u>	<u>25,710</u>
 <u>FUND BALANCE</u>		
Reserved for Inventory	3,207	4,186
Unreserved, Undesignated	13,932	2,970
	<hr/>	
Total Fund Balance	<u>17,139</u>	<u>7,156</u>
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 151,453</u>	<u>\$ 32,866</u>

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

FOOD SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Local Sources			
Food Sales			
Pupils	\$ 80,200	\$ 63,333	\$ 60,139
Adults	0	5,972	7,340
Ala Carte	0	3,858	5,822
Catering	0	17,155	6,107
Vending	0	6,542	0
Earnings on Investments and Deposits	0	389	470
Miscellaneous	0	12,861	723
State Sources			
State Aid	12,643	11,106	11,747
Breakfast Program	0	2,629	0
Federal Sources			
Federal Aid	185,000	173,470	177,575
U.S.D.A. Commodities			
Entitlement	0	18,473	11,925
Bonus	0	45	2,131
Total Revenues	277,843	315,833	283,979
<u>EXPENDITURES</u>			
Salaries	118,749	116,346	111,130
Employee Benefits	66,608	62,234	67,791
Purchased Services	12,230	11,306	9,153
Supplies and Materials	116,200	146,305	128,360
Capital Outlay	8,900	9,282	10,245
Other Expenses	475	1,177	726
Total Expenditures	323,162	346,650	327,405
Excess of Revenues Over (Under) Expenditures	(45,319)	(30,817)	(43,426)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
General Fund	37,400	37,400	40,200
General Fund - At Risk	3,800	3,400	3,800
Total Other Financing Sources (Uses)	41,200	40,800	44,000
Net Change in Fund Balance	(4,119)	9,983	574
FUND BALANCE - Beginning of Year	7,156	7,156	6,582
FUND BALANCE - End of Year	\$ 3,037	\$ 17,139	\$ 7,156

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

ATHLETIC ACTIVITIES FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	<u>\$ 3,724</u>	<u>\$ 3,183</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved, Undesignated	<u>3,724</u>	<u>3,183</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,724</u>	<u>\$ 3,183</u>

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

ATHLETIC ACTIVITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Local Sources			
Admissions			
Regular Events	\$ 30,230	\$ 26,152	\$ 21,906
Tournaments	0	2,790	0
Entry Fees	0	1,895	2,735
Fundraisers	0	0	400
Earnings on Investments and Deposits	0	13	15
Reimbursements and Miscellaneous	0	1,127	1,043
Total Revenues	30,230	31,977	26,099
<u>EXPENDITURES</u>			
Salaries	105,312	104,388	77,541
Employee Benefits	55,012	51,204	25,996
Purchased Services	24,500	25,254	26,242
Supplies and Materials	25,329	24,134	23,372
Capital Outlay	10,000	7,617	3,488
Other Expenses	2,000	1,974	2,124
Total Expenditures	222,153	214,571	158,763
Excess (Deficiency) of Revenues Over (Under) Expenditures	(191,923)	(182,594)	(132,664)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In - General Fund	190,000	183,135	134,486
Net Change in Fund Balance	(1,923)	541	1,822
FUND BALANCE - Beginning of Year	3,183	3,183	1,361
FUND BALANCE - End of Year	\$ 1,260	\$ 3,724	\$ 3,183

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

DEBT RETIREMENT FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 164,839	\$ 164,607
Taxes Receivable	<u>8,045</u>	<u>6,968</u>
TOTAL ASSETS	<u>\$ 172,884</u>	<u>\$ 171,575</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 225	\$ 0
Deferred Revenue	<u>5,422</u>	<u>3,464</u>
Total Liabilities	<u>5,647</u>	<u>3,464</u>
<u>FUND BALANCE</u>		
Reserved for Debt Retirement	<u>167,237</u>	<u>146,857</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 172,884</u>	<u>\$ 150,321</u>

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

DEBT RETIREMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Local Sources		
Property Taxes		
Current Year Levy	\$ 571,821	\$ 543,126
Collections on Prior Years	611	1,338
Industrial Facilities and Renaissance Zone Taxes	2,905	3,369
Penalties and Interest on Delinquent Tax	22	140
Earnings on Investments and Deposits	9,898	7,244
	<hr/>	<hr/>
Total Local Sources	585,257	555,217
State Sources		
State School Aid - Durant	2,940	2,940
	<hr/>	<hr/>
Total Revenues	588,197	558,157
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Redemption of Serial Bonds	395,000	360,000
Interest on Debt	191,150	214,310
Paying Agent Fees and Other	315	525
Taxes Abated and Written Off	2,606	4,576
	<hr/>	<hr/>
Total Expenditures	589,071	579,411
	<hr/>	<hr/>
Net Change in Fund Balance	(874)	(21,254)
FUND BALANCE - Beginning of Year	168,111	189,365
	<hr/>	<hr/>
FUND BALANCE - End of Year	\$ 167,237	\$ 168,111
	<hr/>	<hr/>

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

OIL, GAS AND LAND LEASE CAPITAL PROJECTS FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	<u>\$ 347,993</u>	<u>\$ 266,927</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 1,018	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Undesignated	<u>346,975</u>	<u>266,927</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 347,993</u>	<u>\$ 266,927</u>

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

OIL, GAS AND LAND LEASE CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Earnings on Investments and Deposits	\$ 11,100	\$ 11,380	\$ 7,499
State Sources			
State Grants	0	0	530
Earnings on Investments and Deposits	11,100	11,380	8,029
<u>EXPENDITURES</u>			
Contracted Services	22,000	20,282	7,942
Capital Outlay	8,550	8,550	0
Total Expenditures	30,550	28,832	7,942
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,450)	(17,452)	87
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out - General Fund	0	0	(57,760)
Sale of Timber	69,818	97,500	54,558
Total Other Financing Sources (Uses)	69,818	97,500	(3,202)
Net Change in Fund Balance	50,368	80,048	(3,115)
FUND BALANCE - Beginning of Year	266,927	266,927	270,042
FUND BALANCE - End of Year	\$ 317,295	\$ 346,975	\$ 266,927

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2007

	BALANCE 7/01/2006	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2007
Adult Education Club	\$ 450	\$ 0	0	450
Annual	6	16,207	13,677	2,536
Athletic Fundraisers	0	7,736	6,632	1,104
Band	528	2,349	2,574	303
Band Boosters	11,945	24,786	35,966	765
Baseball	33	0	33	0
Book Fair	174	0	0	174
Boys Basketball	54	0	54	0
Bus Drivers	3,022	1,404	1,366	3,060
Class of 2005	1,586	0	0	1,586
Class of 2006	839	0	0	839
Class of 2007	5,610	5,087	10,352	345
Class of 2008	2,784	9,601	11,221	1,164
Class of 2009	3,800	6,129	1,601	8,328
Class of 2010	0	1,406	759	647
Enviro Science Club	1,251	0	0	1,251
Forestry Account	1,317	0	0	1,317
General	2,691	7,125	7,227	2,589
Girls Basketball	371	550	921	0
Girls Track	13	0	13	0
Happy Hand	12,944	1,547	1,288	13,203
MS Student Council	1,749	757	352	2,154
National Honor Society	276	5,062	5,237	101
OM	1,923	0	0	1,923
Pop Account	538	1,079	863	754
Pop Account-Middle School	9,091	6,799	10,627	5,263
Pop Account-Superintendent	22,067	4,341	3,723	22,685
Project Hero	391	0	0	391
PTO	7,828	32,417	37,679	2,566
NOT Account	402	0	100	302
Orange & Black Club	0	11,065	6,441	4,624
Ski Club	739	451	767	423
Speech	2,561	3,767	4,072	2,256

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2007

	BALANCE 7/01/2006	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2007
Student Council	2,538	3,513	2,938	3,113
Varsity	2,934	0	1,533	1,401
Leo's Club	4	486	127	363
Courtyard Grant	850	0	826	24
Manufacturing Class	1,471	1,986	919	2,538
Community Scholarship Fund	1,280	303	300	1,283
Gabier Scholarship Fund	294	1	0	295
F.M. Jewett Scholarship Fund	6,027	468	100	6,395
F.M. and L.E. Jewett Scholarship Fund	5,007	88	88	5,007
	<u>\$ 117,388</u>	<u>\$ 156,510</u>	<u>\$ 170,376</u>	<u>\$ 103,522</u>
Represented by				
Assets				
Cash on Hand	\$ 50			\$ 50
Cash on Deposit	117,338			103,472
	<u>\$ 117,388</u>			<u>\$ 103,522</u>
Liabilities				
Due to Groups and Organizations	\$ 117,388			\$ 103,522

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SCHEDULE OF 2006 TAX ROLL
YEAR ENDED JUNE 30, 2007

	TAXABLE VALUATION	TAXES ASSESSED	TAXES COLLECTED	TAXES RETURNED DELINQUENT
<u>GENERAL FUND (18.00 MILLS)</u>				
<u>WEXFORD COUNTY</u>				
Antioch Township	\$ 7,167,153	\$ 129,007	\$ 112,018	\$ 16,989
Boon Township	465,376	8,377	7,900	477
Colfax Township	6,789,157	122,204	103,467	18,737
Greenwood Township	382,990	6,894	4,566	2,328
Hanover Township	2,061,526	37,107	29,595	7,512
Selma Township	2,083,342	37,500	34,212	3,288
Slagle Township	7,058,252	127,048	102,644	24,404
Springville Township	18,340,979	322,032	267,947	54,085
Wexford Township	6,698,760	120,576	104,408	16,168
<u>MANISTEE COUNTY</u>				
Cleon Township	3,842,083	69,905	59,660	10,245
Marilla Township	3,324,814	54,926	50,714	4,212
	58,214,432	1,035,576	877,131	158,445

DEBT RETIREMENT FUND (4.20 MILLS)

<u>WEXFORD COUNTY</u>				
Antioch Township	20,453,643	85,902	75,420	10,482
Boon Township	1,652,320	6,939	6,668	271
Colfax Township	17,046,442	71,593	63,443	8,150
Greenwood Township	1,225,069	5,145	3,560	1,585
Hanover Township	5,857,177	24,679	18,012	6,667
Selma Township	6,811,990	28,609	25,181	3,428
Slagle Township	14,469,382	60,769	49,762	11,007
South Branch Township	159,571	670	580	90
Springville Township	35,110,675	145,568	115,299	30,269
Wexford Township	17,868,317	75,044	63,144	11,900
<u>MANISTEE COUNTY</u>				
Cleon Township	8,534,634	35,854	30,259	5,595
Marilla Township	7,392,739	31,049	28,998	2,051
	136,581,959	571,821	480,326	91,495

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

COMPARATIVE SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
JUNE 30,

	<u>2007</u> <u>AMOUNT</u>	<u>2006</u> <u>AMOUNT</u>
<u>GOVERNMENT WIDE</u>		
<u>GENERAL FUND</u>		
Irwin Union Bank		
Operating Checking and Sweep Account	\$ 219,052	\$ 77,450
Payroll Checking and Sweep Account	1,326	1,065
Operating Money Market Fund	976,749	633,530
Certificate of Deposit	330,000	900,842
Michigan School District Liquid Asset Fund Plus		
MIMAX	61,657	58,641
	<u>1,588,784</u>	<u>1,671,528</u>
 <u>SPECIAL REVENUE (SCHOOL SERVICE) FUNDS</u>		
Food Service		
Citizens Bank		
Checking Account	148,246	28,680
Athletic Activities		
Citizens Bank		
Checking Account	3,724	3,183
	<u>151,970</u>	<u>31,863</u>
 <u>DEBT RETIREMENT FUNDS</u>		
Citizens Bank		
Checking Account	1,010	1,067
Irwin Union Bank		
Operating Money Market Fund	163,829	163,540
	<u>164,839</u>	<u>164,607</u>
 <u>CAPITAL PROJECTS FUND</u>		
Oil, Gas and Land Lease Projects Fund		
Irwin Union Bank		
Operating Money Market Fund	347,993	266,927
 Total Government Wide	<u>2,253,586</u>	<u>2,134,925</u>
 <u>FIDUCIARY</u>		
Citizens Bank		
Checking Account	20,479	104,781
Savings Accounts and Certificates of Deposit	83,043	12,607
 Total Fiduciary	<u>\$ 103,522</u>	<u>\$ 117,388</u>

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2007

<u>TITLE OF ISSUE</u>	2004 Refunding Bonds
<u>PURPOSE</u>	The Bonds are being issued for the purpose of advance refunding a portion of the school District's outstanding 1997 School Building and Site Bonds dated May 1, 1997, which are due and payable May 1, 2007 through May 1, 2018.
<u>DATE OF ISSUE</u>	March 25, 2004
<u>INTEREST PAYABLE</u>	May 1, and November 1, of Each Year
<u>AMOUNT OF ISSUE</u>	\$ 6,105,000
<u>AMOUNT REDEEMED</u>	
Current Year	\$ 395,000
Prior Years	<u>150,000</u>
	<u>545,000</u>
<u>BALANCE OUTSTANDING</u>	June 30, 2007
	\$ <u><u>5,560,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2007		\$ 91,625	\$ 91,625	\$ 0
May 1, 2008	2.25%	516,625	91,625	425,000
November 1, 2008		86,844	86,844	0
May 1, 2009	2.75%	536,844	86,844	450,000
November 1, 2009		80,656	80,656	
May 1, 2010	3.00%	545,656	80,656	465,000
November 1, 2010		73,681	73,681	
May 1, 2011	3.00%	553,681	73,681	480,000
November 1, 2011		66,481	66,481	
May 1, 2012	3.25%	561,481	66,481	495,000
November 1, 2012		58,438	58,438	
May 1, 2013	3.50%	573,438	58,438	515,000
November 1, 2013		49,425	49,425	
May 1, 2014	3.50%	579,425	49,425	530,000
November 1, 2014		40,150	40,150	
May 1, 2015	3.50%	590,150	40,150	550,000

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2007

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2015		30,525	30,525	
May 1, 2016	3.60%	580,525	30,525	550,000
November 1, 2016		20,625	20,625	
May 1, 2017	3.70%	570,625	20,625	550,000
November 1, 2017		10,450	10,450	
May 1, 2018	3.80%	560,450	10,450	550,000
		<u>\$ 6,777,800</u>	<u>\$ 1,217,800</u>	<u>\$ 5,560,000</u>

DENOMINATIONS

\$5,000 Each, or any Integral Multiple Thereof.

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2015, are subject to redemption at the option of the School District in such order as the School District may determine and by lot within any maturity, on any interest payment date occurring on or after May 1, 2014, at par plus accrued interest to the date fixed for redemption.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2007

TAX LEVY FOR RETIREMENT OF BONDS

The resolution authorizing issuance of the Bonds and State law obligate the School District to levy a tax in an amount sufficient so that the estimated collections therefrom together with amounts, if any, to be borrowed from the School Bond Loan Fund, will be sufficient to pay promptly when due the principal of and interest on the Bonds becoming due prior to the time of the next tax levy. The tax levy shall not be subject to limitation as to rate or amount. Taxes for the payment of the principal of or interest on the Bonds are certified for collection each year with the school tax levies. In the event of the failure of the proper officials to certify taxes for the payment of the principal and interest requirements, a timely action in the nature of mandamus could compel certification and collection of adequate taxes for the next year or could compel the School District to make application to borrow the necessary funds from the School Bond Loan Fund and thus prevent a default. However, in the event that the principal of or interest on any Bond is not paid when due or upon proper presentation of the Bond or interest coupon to the agent or officer charged with making payment thereof (irrespective of whether an application by the School District to the State for a loan to pay such principal or interest has been made or approved), the State Treasurer shall forthwith pay such principal or interest upon presentation of the Bond or coupon to him. If sufficient funds for full payment of debt service on the Bonds do not reach the Paying Agent five business days prior to the debt service payment due date, the Paying Agent will notify the School District of the amount of insufficient funds four business days prior to the due date. In the event that the School District does not immediately resolve the insufficient funds situation, the Paying Agent will notify the Michigan Department of Treasury of the deficiency three business days before the payment due date and the State Treasurer shall make the payment. Any amount so paid by the State Treasurer shall be deemed a loan made to the School District pursuant to the requirements of Article IX, Section 16 of the State Constitution. Registered owners of the Bonds may attempt to obtain a money judgment against the School District for the principal amount of the Bonds or interest not paid when due and may periodically enforce the collection of the money judgment by requiring the tax assessing officers for the School District to place the amount of such judgment on the next tax rolls of the School District. The rights of the owners of the Bonds and the enforceability thereof are subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement also may be subject to the exercise of judicial discretion in appropriate cases.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

SINGLE AUDIT

JUNE 30, 2007

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SINGLE AUDIT
YEAR ENDED JUNE 30, 2007

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August 16, 2007

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Mesick Consolidated Schools
Mesick, Michigan

COMPLIANCE

We have audited the compliance of Mesick Consolidated Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Mesick Consolidated Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mesick Consolidated Schools' management. Our responsibility is to express an opinion on Mesick Consolidated Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mesick Consolidated Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mesick Consolidated Schools' compliance with those requirements.

In our opinion, Mesick Consolidated Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The management of Mesick Consolidated Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mesick Consolidated Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the district's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the district's internal control.

Our consideration of the internal control over compliance was limited for the purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mesick Consolidated Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated August 16, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Mesick Consolidated Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE / GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2007	ADJUSTMENTS
U.S. Department of Education								
Passed Through Michigan Department of Education (M.D.E.)								
Title I - Part A Improve Basic Programs								
Project No. 061530-0506	84.010	\$ 278,514	\$ 56,578	\$ 0	\$ 10,866	\$ 67,444	\$ 0	\$ 0
Project No. 061530-0607	84.010	19,452	0	0	19,452	19,452	0	0
Project No. 071530-0607	84.010	252,065	0	0	209,544	173,791	35,753	0
Total	84.010	550,031	56,578	0	239,862	260,687	35,753	0
Handicapped Preschool and School Program								
Project No. 070440 0607	84.027	3,379	0	0	3,379	1,690	1,689	0
Safe and Drug-Free Schools and Communities								
Project No. 072860 0607	84.186	5,727	0	0	5,727	3,600	2,127	0
Title V - LEA Allocation								
Project No. 060250 0506	84.298	7,547	3,847	7,547	0	3,847	0	0
Project No. 070250 0607	84.298	3,451	0	0	3,451	2,499	952	0
Total	84.298	10,998	3,847	7,547	3,451	6,346	952	0
Title IID - Technology Literacy Challenge								
Project No. 064290 0506	84.318	5,196	3,696	5,196	0	3,696	0	0
Project No. 074290 0607	84.318	2,587	0	0	2,587	2,587	0	0
Total	84.318	7,783	3,696	5,196	2,587	6,283	0	0
Reading First								
Project No. 072930 0607	84.357	133,000	0	0	133,000	91,957	41,043	0
Project No. 052930 0506	84.357	181,500	60,545	181,500	0	60,545	0	0
Total	84.357	314,500	60,545	181,500	133,000	152,502	41,043	0
Title IIA - Improving Teacher Quality								
Project No. 060520 0506	84.367	65,109	9,531	65,109	0	9,531	0	0
Project No. 070520 0607	84.367	63,177	0	0	63,177	52,538	10,639	0
Total	84.367	128,286	9,531	65,109	63,177	62,069	10,639	0
Elementary and Secondary Education Hurricane Relief for Displaced Students								
Project No. 064120	84.938C	2,808	2,050	2,050	758	2,808	0	0
Total Passed Through M.D.E.								
		1,023,512	136,247	261,402	451,941	495,985	92,203	0
Total U.S. Department of Education								
		1,023,512	136,247	261,402	451,941	495,985	92,203	0

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE / GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JUNE 30, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007	ADJUSTMENTS
U.S. Department of Health and Human Services								
Passed Through Wexford-Missaukee Intermediate School District Medicaid Outreach - No Project Number	93.778	6,037	0	0	6,037	4,795	1,242	0
U.S. Department of Agriculture								
Child Nutrition Cluster:								
Passed Through Michigan Department of Education (M.D.E)								
National School Lunch Program								
Section 4 - Total Servings - 061950 and 071950	10.555	22,488	0	0	22,488	22,488	0	0
Section 11 - Free and Reduced - 061960 and 071960	10.555	119,155	0	0	119,155	119,155	0	0
Total	10.555	141,643	0	0	141,643	141,643	0	0
School Lunch Breakfast Program								
Breakfast - 061970 and 071970	10.553	31,827	0	0	31,827	31,827	0	0
Total Child Nutrition Cluster		173,470	0	0	173,470	173,470	0	0
Food Distribution								
Entitlement Commodities	10.550	18,473	0	0	18,473	18,473	0	0
Bonus Commodities	10.550	45	0	0	45	45	0	0
Total	10.550	18,518	0	0	18,518	18,518	0	0
Total Passed Through M.D.E.		191,988	0	0	191,988	191,988	0	0
Passed Through Wexford County and Manistee County, Michigan Schools and Roads: Grants to States - No Project Number	10.665	25,173	0	0	25,173	25,173	0	0
Total U.S. Department of Agriculture		217,161	0	0	217,161	217,161	0	0
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 1,246,710	\$ 136,247	\$ 261,402	\$ 675,139 (C)	\$ 717,941 (B)	\$ 93,445	\$ 0

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(A) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting and presents transactions in the same manner as reflected in the basic financial statements of the school district. The significant accounting policies used are described in footnote (1) to the June 30, 2007, basic financial statements.

(B) Reconciliation of Grant Section Auditor's Report with Schedule of Expenditures of Federal Awards

Current Cash Payments per Cash Management System		\$	691,790
Add Items Not on CMS Report:			
Relief for Displaced Students	\$	2,808	
Medicaid Outreach Project		4,795	
Schools and Roads: Grants to States		<u>25,173</u>	32,776
Amounts Received as Payments in Kind			
Food Distribution Program			
Entitlement Commodities		18,473	
Bonus Commodities		<u>45</u>	18,518
Amounts reported on 6/30/2007 R7120 Grant Section Report not recorded on CMS Grant Auditor Report			
Child Nutrition Cluster			
National School Lunch Breakfast		31,827	
National School Lunch		<u>141,643</u>	173,470
Less Timing Differences			
Payments received in July 2006 for prior year			
Title I 061530-0506		67,444	
Title V Part A - 060250-0506		3,847	
Title II Part D - 064290-0506		3,696	
Reading First - 052930-0506		60,545	
Title II Part A - 060520-0506		<u>9,531</u>	145,063
Reconciliation of errors on new CMS Report			
Title II Part D - 064290-0506		(5,196)	
Safe and Drug-Free Schools - 062860-0506		(6,762)	
Title I - 061530-0506		(259,062)	
Title II Part A - 060520-0506		(65,109)	
Title V Part A - 060250-0506		<u>(7,547)</u>	<u>(343,676)</u>
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal		\$	<u>717,941</u>

(C) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenues from Federal Sources - Per Basic Financial Statements - Page 5	\$	<u>675,139</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	\$	<u>675,139</u>

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August 16, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Mesick Consolidated Schools
Mesick, Michigan

We have audited the financial statements of Mesick Consolidated Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated August 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Mesick Consolidated Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mesick Consolidated Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mesick Consolidated Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the district's financial statements that is more than inconsequential will not be prevented or detected by the district's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (Item B) to be a significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the district's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that of the significant deficiencies described above, 2007-C is a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Mesick Consolidated Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Mesick Consolidated Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, others within the district, and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Reportable Conditions:

- a. The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The reportable condition noted above was not considered to be a material weakness.

This finding is repeated for the current fiscal year.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified			
Significant deficiencies identified:	<u> X </u>	Yes	<u> </u>	No
Significant deficiencies identified as material weakness(es)?	<u> X </u>	Yes	<u> </u>	No
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:				
Significant deficiencies identified:	<u> </u>	Yes	<u> X </u>	No
Significant deficiencies identified as material weakness(es)?	<u> </u>	Yes	<u> X </u>	No
Type of auditors' report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?	<u> </u>	Yes	<u> X </u>	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I – Improving Basic Programs
84.357	Reading First

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	<u> </u>	Yes	<u> X </u>	No
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MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

B. Findings - Basic Financial Statements Audit

2007-A - Inadequate Segregation of Duties

The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the district's internal control. The significant deficiency noted above was not considered to be a material weakness.

View of Responsible Official/Corrective Action Plan

With the status of state funding, the District is unable to hire additional employees at this time to improve the segregation of duties within the accounting function. We realize that segregation of duties is important in order to increase internal control. Management oversight has been an alternative means of monitoring internal control along with continuing to try and reassign some duties within the accounting department to other staff members. We still are exploring ways to spread some of the day-to-day accounting responsibilities. The District, the Superintendent and the Board of Education will continue to monitor the situation and explore cost effective ways to improve this internal control limitation.

2007-B - Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task. The significant deficiency noted above was not considered to be a material weakness.

View of Responsible Official/Corrective Action Plan

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

2007-C - Lack of Adequate Controls to Timely Record, Process and Summarize Accounting Data

Management is responsible for ensuring that a reliable system exists for recording, processing, and summarizing accounting data on a timely basis.

The district utilizes a computerized accounting software program as well as a variety of manual systems and controls to assist with this requirement. However, the District does not utilize the computerized system to completely process and account for the accounting data on a timely basis.

Specific processes not completed on a timely basis include but are not necessarily limited to the following:

1. The bank accounts are currently being reconciled manually on a monthly basis which is acceptable. However, the reconciled book balance often does not agree with the book balance in the computerized general ledger on a monthly basis. This is caused by the failure to record all transfers between bank accounts as well as not recording all transactions in the month that they occur. This results in the reporting of incorrect cash balances as well as significant additional staff resources to reconcile and correct the balances. We recommend the District properly adjust the reconciled book balances to the computerized general ledger system on a more timely basis not less than monthly.
2. Revenue is generally not recorded in the computerized general ledger as it occurs on a monthly basis. This results in the inaccurate reporting of actual revenue received during a period and contributes to incorrect balances as reported in item 1. We recommend the District record all revenue not less than on a monthly basis as part of the normal reconciliation process.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

3. Beginning fund balances are not reconciled for accuracy. This results in the incorrect reporting of fund balance during the year. This apparently was caused by an apparent system malfunction during the year. We recommend the District review the summary trial balance on a periodic basis to ensure that the beginning fund balance is properly reflected so that inconsistencies in general ledger balances can be recognized and corrected on a timely basis.
4. General ledger trial balances should be reviewed on a periodic basis for accuracy and proper classification. We recommend the District review the summary trial balance on a monthly basis and investigate and correct those balances which are materially inaccurate.

As a result of this condition, significant additional time and resources are necessary throughout the year and at year end in an effort to mitigate the effect of unreliable and timely reporting of data. The significant deficiency noted above was considered to be a material weakness.

View of Responsible Official/Corrective Action Plan

The District is aware of this limitation and is in the process of evaluating options. These options include potentially obtaining outside technical assistance to develop a system for the more timely and accurate reporting of accounting data as well as controls to review results and correct errors and inconsistencies in a more timely manner. In addition, the District is reviewing the accounting systems and controls to become more efficient which will allow for more accurate and timely reporting of accounting data and results.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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August 16, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

Mesick Consolidated Schools
Mesick, Michigan

Dear Members of the Board and Administrators:

We have completed our audit of the financial statements of the Mesick Consolidated Schools as of and for the fiscal year ended June 30, 2007, and we would like to take this opportunity to comment on the following items relative to the management and accounting records/procedures of the School District:

Budgeting

The District currently does a pretty good job formulating and monitoring the annual budget function. Actual general fund revenues were a little over \$38,000 or .5% greater than what was budgeted for the year. These variances were primarily within the interest income category and differences in various grants for the year. Actual general fund expenditures was little bit less than \$200,000 or 2.5% less than what was budgeted for the year. Approximately \$50,000 of this variance was attributable to the compensatory education program which is primarily funded through state and federal grants with the balance attributable to variances in the wages and fringes category as well as savings in the operations and maintenance and technology categories as well as a variety of other areas. The overall budget variance for the year was \$237,885.

The Michigan Department of Education is taking a greater interest in making sure that the budgeting process for Michigan school districts more accurately reflect actual results.

The budget is essentially the annual plan of expenditure for a District on an annual basis. Therefore, it is important for the District to be able to generate adequate financial information on an interim basis in order to be able to make accurate budgeting decisions. As a result, these systems need to be monitored and reviewed on a periodic basis to ensure that they are operating as intended and are providing the information necessary for the District to make sound business decisions and be able to comply.

Posting Budget to District Website

The State School Aid Act now requires local districts to post their annual operating budget and subsequent amendments on their website. We were able to find that the District has complied with this requirement by posting the 2006-2007 budget on the Districts website as required. We wish to remind you that this is an ongoing requirement and this act requires the posting to occur within 30 days of all newly adopted or amended budgets. The District should also consider making the budget easy to locate from the home page of the District website so that interested parties will be able to access it.

Standards and Pronouncements

Each year the District is faced with the challenges of making sure the financial statements and the accounting systems are in compliance with a variety of standards and pronouncements in order to be in compliance with Generally Accepted Accounting Principles commonly known as (GAAP). The Michigan Department of Education requires Districts to be in compliance with GAAP as well as a variety of other rules and regulations.

One such pronouncement effective for the current year was Statements on Auditing Standards (SAS) number 112. Many of the concepts of this statement are not new. However, there were some fundamental changes that the District should be aware of. This standard requires the auditor to evaluate the control systems in place for the District. It also places more responsibility on the District in the preparation and maintenance of the accounting system.

Specifically, the District should have a system of controls in place to allow for the maintenance of the general ledger as well as the preparation of the financial statements. The standard does not require the District to prepare the financial statements, only to be capable of such preparation or possess the skills and knowledge necessary to determine if the financial statements are not materially misstated.

We do not believe the District currently has an adequate system of accounting controls in place in order to currently comply with this pronouncement. We have provided suggestions on improvements to the accounting control system and believe the District is working on implementation. We believe this will allow for more efficient reporting and review of results on a periodic basis and be of great benefit to the District.

We sincerely thank the Board of Education for awarding this firm the audit engagement of the Mesick Consolidated Schools. We also thank the administration and staff for their cooperative spirit and assistance in fulfilling this audit engagement. The friendly, cooperative and enthusiastic response to our requests for data, facts and figures is very much appreciated and enhances the efficiency of the audit process. If you have any questions relative to the preceding comments and recommendations or other areas of your annual audit, please feel free to contact us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.